

**FEDERAL GOVERNMENT PROGRAMS TO FINANCE BIODIESEL PRODUCTION /
OILSEED CRUSHING AND ETHANOL VENTURES IN MONTANA
December 17, 2007**

FEDERAL

USDA Rural Development <http://www.rurdev.usda.gov/mt/RBS/rbs.htm>

- Renewable Energy Systems and Energy Efficiency Improvements Grant, Guaranteed Loan, and Direct Loan Programs – 2002 “Farm Bill Section 9006 Program”
- Value-Added Producer Grants
- Business and Industry Guaranteed Loans
- Intermediary Relending Program
- Rural Business Enterprise Grants
- Rural Economic Development Loans

USDA Rural Development

Financing and grant funding for feasibility studies and planning may be available through several programs administered by USDA Rural Development. Certain programs also may be used to finance biofuels projects. Certified Regional Development Corporations may be able to provide assistance in preparing applications for USDA Rural Development grants and loans.

- <http://www.rurdev.usda.gov/mt/RBS/rbs.htm>
- To learn whether your project is eligible to apply to these programs and applications deadline dates, contact:

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USDA is currently accepting all applications. Application deadlines pending approval of 2008 Ag Appropriations bill.

- ***Renewable Energy Systems and Energy Efficiency Improvements Grant, Guaranteed Loan, and Direct Loan Programs – “Farm Bill Section 9006 Program”***
 - Loans, loan guarantees, and grants to farmers, ranchers and rural small businesses to purchase renewable energy systems and make energy efficiency improvements.
 - Grants: maximum grant request is 25% of eligible project costs up to \$500,000
 - Guaranteed loans: maximum loan request is 50% of project costs up to \$10 million
 - Eligible applicants: agricultural producers and rural small businesses.
 - Financial need must be demonstrated
 - The project must be for a pre-commercial or commercially available and replicable technology, not for research and development
 - The project must be technically feasible
 - Project revenues must be sufficient to provide for the operation and maintenance of the system.
 - One round of applications per year.

- <http://www.rurdev.usda.gov/rbs/farmbill/>
- ***Value-Added Producer Grants***
 - Grants may be used for planning activities and working capital for marketing value-added agricultural products and for farm-based renewable energy.
 - Eligible applicants are independent producers, farmer and rancher cooperatives, agricultural producer groups, and majority-controlled producer-based business ventures.
 - The maximum grant amount for a planning grant is \$100,000 and the maximum grant amount for a working capital grant is \$300,000.
 - All grants require a 50% match from the producer.
<http://www.rurdev.usda.gov/mt/RBS/VAPG.htm>
- ***Business and Industry Guaranteed Loans***
 - Provides guarantees up to 80 % of a loan made by a commercial lender
 - Maximum loan amount is \$10 million. Loans up to \$25 million can be guaranteed with prior approval from the Administrator.
 - Applicant must have sufficient collateral to secure the entire loan and the collateral must be supported by a current appraisal.
 - Businesses in operation less than 3 years must provide a minimum of 20% of tangible book equity. Existing businesses must provide 10%.
 - Continuous funding cycle.
<http://www.rurdev.usda.gov/mt/RBS/B&I.htm>
- ***Intermediary Relending Program***
 - Loans made to intermediaries at a 1% interest rate. Intermediaries may be private non-profit corporations, public agencies, Indian groups, or cooperatives.
 - Intermediaries establish revolving loan funds to re-lend funds to ultimate recipients at negotiated interest rates. All loans to intermediaries must be adequately secured.
 - Ultimate recipients may be private or public organizations or individuals.
<http://www.rurdev.usda.gov/mt/RBS/IRP.htm>
- ***Rural Business Enterprise Grants***
 - Funds are used for the financing or development of a small and emerging business. Eligible uses are: Technical Assistance (providing assistance for marketing studies, feasibility studies, business plans, training etc.) to small and emerging businesses; purchasing machinery and equipment to lease to a small and emerging business; creating a revolving loan fund (providing partial funding as a loan to a small and emerging business for the purchase of equipment, working capital, or real estate); or construct a building for a business incubator for small and emerging businesses.
<http://www.rurdev.usda.gov/mt/RBS/RBEG.htm>
- ***Rural Economic Development Loan & Grant program (REDLG)***
 - Loan made to electric and telephone utilities financed by the Rural Utilities Service (RUS).

- RUS utility re-lends loan proceeds to an eligible "third-party recipient" under terms that mirror RUS loan terms.
 - 0% interest rate / 10 year promissory note / possible payment deferment for 1 – 2 years.
 - Eligible loan purposes include business expansions and business startups, including cost of buildings, equipment, machinery, land, site development, and working capital.
 - Third-party recipient must apply to the area RUS utility.
<http://www.rurdev.usda.gov/mt/RBS/REDLG.htm>
- *Small Business Innovation Research Program*
- federal research grants for technology commercialization
 - <http://www.csrees.usda.gov/fo/sbir.cfm>

FEDERAL ASSISTANCE FOR ETHANOL AND BIODIESEL

- **Alternate Fuel Refueling Property Tax Credit**, Internal Revenue Service (IRS) HR 6
http://www.eere.energy.gov/afdc/incentives_laws_epact.html
The Alternative Fuel Refueling Infrastructure Tax Credit was established as part of the Energy Policy Act of 2005. This tax credit program provides a tax credit for the installation of certain qualifying fueling infrastructure that dispense alternative fuel, including E85 and biodiesel blends B20 and higher.
Expires December 31, 2009.
- **Small Agri-Biodiesel Producer Tax Credit**
<http://www.ethanolrfa.org/policy/regulations/federal/biodiesel/>
Small Biodiesel Producer Tax Credit -- Energy Policy Act of 2005.
 - Volumetric based income tax credit for the production of agri-biodiesel (biodiesel made from first-use vegetable oils and first-use animal fats).
 - Allowable against federal taxes, capped at \$1.5 million per year for \$0.10 per gallon, up to 15 million gallons per year of new production.
 - Ends December 31, 2008.
- **Small Ethanol Producer Tax Credit**
<http://www.ethanolrfa.org/policy/regulations/federal/septc/>
The Energy Policy Act of 2005 (H.R. 6), changed the definition of a "small ethanol producer" from 30 million gallons per year to 60 million gallons per year.
 - Allowable against federal taxes, capped at \$1.5 million per year for \$0.10 per gallon, up to 15 million gallons per year of new production.
 - Ends December 31, 2008.
- **Volumetric Ethanol Excise Tax Credit (VEETC)**
<http://www.ethanolrfa.org/policy/regulations/federal/veetc/>
 - Provides a tax refund of 51 cents per gallon on each gallon of ethanol blended with gasoline.
- **Biodiesel, Volumetric 'Blender' Tax Credit (VEETC)**

- The volumetric excise tax credit for Agri-Biodiesel is \$1.00 per gallon. Agri-Biodiesel is defined as diesel fuel made from virgin oils derived from agricultural commodities and animal fats.
- The volumetric excise tax credit for Biodiesel remains at 50¢ per gallon. Biodiesel is defined as diesel fuel made from agricultural products and animal fats.
- The volumetric excise tax credit for Renewable Diesel is \$1.00 per gallon. Renewable diesel refers to diesel fuel derived from biomass using a thermal depolymerization process.

The IRS website forms available for the volumetric biodiesel credit for fuel distributors. Includes Forms 637, Form 720, Form 8849, Form 8864, and Form 4136.

<http://www.irs.gov/formspubs/lists/0,,id=97817,00.html>

(note that this also covers ethanol blends.)

- **Renewable Fuels Standard (RFS)**
(<http://www.ethanolrfa.org/policy/regulations/federal/standard/>)
 - The RFS starts at 4 billion gallons in 2006 and increases to 7.5 billion gallons in 2012.
- **Federal Reformulated Gasoline (RFG) program areas** (Not applicable in Montana)
<http://www.ethanolrfa.org/policy/regulations/federal/rfg>
- **Federal Winter Oxygenated Fuels program areas**
<http://www.ethanolrfa.org/policy/regulations/federal/wofa>
 - Currently only applicable to Missoula.
 - Only requires the use of 10-percent ethanol.